

Gas Tax Distribution to the State, Cities, and Counties

PROBLEM STATEMENT

Washington's gas tax produced \$738 million in revenue in 1997. The gas tax is the only revenue source in Washington state that is constitutionally dedicated to Washington's roadway system.

The gas tax is an important source of revenue for several reasons:

- along with the motor vehicle excise tax, it is the largest generator of transportation revenue in the state;
- it is dedicated to transportation so it does not have to compete with other general government programs;
- it is not capped by the constitution or by provisions such as I-601, so enjoys a measure of potential for generating revenues that some other sources do not;
- revenues are directly related to the amount that a vehicle is driven, so can be considered a 'user fee.'

Concerns with gas tax distribution include the following:

- **Distribution of funds may appear fragmented and complicated:** There are numerous separate "buckets" through which gas tax revenues are distributed, and these funds are administered by the Washington State Department of Transportation (WSDOT) (52.3%), the County Road Administration Board (CRAB) (3.5%), the Transportation Improvement Board (TIB) (13.2%), and directly by cities (10.7%) and counties (19.2%). The distribution formulas are also not consistent; for example, the distribution to cities is based on a single factor – population, while that to counties is based on needs, equivalent population, and annual road cost, among other factors.
- **Gas tax allocations do not reflect actual roadway responsibilities:** Although it is the principal dedicated source of revenue for the state's roadways, the gas tax represents a small share of transportation revenues to city (17%), county (33%), and state (50%) governments. Its distribution also appears not to reflect the number of miles of roadway for which each of the various government jurisdictions are responsible, nor does it reflect changing demographics (rapid population growth or increases in vehicle miles traveled; the incorporation of previously unincorporated areas; and rural roads becoming regional arterials).
- **Dedicated fund programs are less flexible to changing needs:** Eighteen per cent (18%) of gas tax revenues are dedicated to special programs. These grant programs, which supplement funding for cities and counties, were established to deal with specific problems at a given time. They tend not to deal well with new and emerging transportation needs. Additionally, these kinds of programs are sometimes used to fund basic transportation needs such as arterial preservation. The question can thus be raised whether competitive grant programs are always the appropriate and cost-effective means to fund such needs.

PROPOSED SOLUTIONS

- **System-based allocation:** Revenues are currently distributed by jurisdiction. A new distribution scheme might be function-based, more accurately reflecting the way roads are actually used. Elements of such a scheme may include maintenance and preservation, operations, infrastructure deficiencies, system improvements, and very large projects.
- **Re-evaluation of dedicated fund programs:** Dedicated funding might be based on agreed-upon and technically supported determinations of need, and would be systematically applied to all roadways, regardless of level of government.
- **Reconsideration of competitive grant programs:** Under a revised distribution formula, competitive grant programs would be used to fund discretionary needs, based on uniform criteria. Basic needs, such as maintenance and preservation, might be funded through direct allocation rather than through competitive grants.
- **Enable gas tax allocation to shift with changing demographics:** Objective measures, such as population, lane miles of roadway, and vehicle miles traveled (VMT), adjusted periodically, might be used to allocate future gas tax revenues.
- **Revised formula for distribution of gas tax revenues to cities:** A new formula for distribution of gas tax revenues to cities, based upon objective measures, unmet needs, or local funding effort, may result in more equitable distribution of gas tax revenues to cities.